

**REPORT OF THE AUDIT OF THE
BRACKEN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Leslie Newman, Bracken County Judge/Executive
Members of the Bracken County Fiscal Court

The enclosed report prepared by Peercy and Gray, PSC, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements.

We engaged Peercy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Peercy and Gray, PSC evaluated the Bracken County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRACKEN COUNTY FISCAL COURT

June 30, 2005

Peercy and Gray, PSC has completed the audit of the Bracken County Fiscal Court for fiscal year ended June 30, 2005.

We have issued an unqualified opinion, on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Bracken County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$3,412,493 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,377,214 in its governmental activities as of June 30, 2005, with total net assets of \$3,412,493. The fiscal court had total debt principal as of June 30, 2005 of \$590,000 with \$38,000 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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PEERCY AND GRAY, PSC

Certified Public Accountants

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To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Leslie Newman, Bracken County Judge/Executive

Members of the Bracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bracken County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bracken County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Leslie Newman, Bracken County Judge/Executive
Members of the Bracken County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bracken County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2005 on our consideration of Bracken County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

Audit fieldwork completed -
December 16, 2005

BRACKEN COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

Leslie Newman	County Judge/Executive
Matthew Clark Hennessey, Jr.	Magistrate
Neil Brumley	Magistrate
David Kelsch	Magistrate
Scotty Lippert	Magistrate
Timothy Figgins	Magistrate
Dennis Jefferson	Magistrate
Perry Poe	Magistrate
Wilma Jones	Magistrate

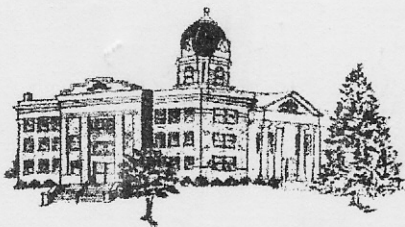
Other Elected Officials:

Edward Rudd	County Attorney
Gary Riggs	Jailer
Rae Jean Poe	County Clerk
Catherine Riggs	Circuit Court Clerk
Mike Nelson	Sheriff
Steve Thornsbury	Property Valuation Administrator
John G. Parker	Coroner

Appointed Personnel:

Judith F. Brothers	County Treasurer
Rodney Eagan	Finance Officer

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Leslie L. Newman
Bracken County Judge/Executive
P.O. Box 264
Brooksville, KY 41004
Office: (606) 735-2300 Fax: (606) 735-2615

Management's Discussion and Analysis

Our discussion and analysis of the Bracken County Fiscal Court's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- The County's total revenues for the year exceeded total expenses by \$130,793 (excluding prior year surplus) for the year, resulting in an increase in total net assets of 4.5% over the previous year. The increase is attributed to the County's operation of its governmental activities.
- The County received a \$40,150 grant for Homeland Security and purchased equipment.
- The County received a \$10,689 medical grant that was passed through to the Bracken County Ambulance District.
- The County received \$12,953 from PSFA as a reimbursement for 911 equipment.
- The County received \$110,500 as a State Grant to be used for the Brooksville and Augusta 201 Sewer Study.
- The County received \$16,294 in C.D.B.G. Funds that was used in the Microenterprize Project.
- The County received \$15,372 in Litter Abatement Funds to aid in the county roadside clean up.
- The County decreased debt principal by \$39,342 due to the pay-off of the 911 operating system and pay down of the courthouse renovation and road loader debts.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis serves as an introduction to the County's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements. This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the County's annual report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the overall finances of the County similar to a business enterprise. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The statement of net assets presents information on all of the County's assets less liabilities which results in net assets. The statement is designed to display the financial position of the County. Over time, increases or decreases in net assets help determine whether the County's financial position is improving or deteriorating.

The statement of activities provides information which shows how the County's net assets changed as a result of the year's activities. The County's governmental activities include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, transportation facilities and service, and roads.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate fiscal accountability.

GOVERNMENTAL FUNDS

Government funds are used to report the County's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a near- or short-term view of the County's operations.

Seven governmental funds were used by the County in 2004-2005 fiscal year: General, Road, Jail, L.G.E.A., State Grants, C.D.B.G., Special and Senior Citizens.

The County adopts an annual appropriated budget for its funds.

Bracken County
 Managements' Discussion and Analysis
 June 30, 2005
 (Continued)

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A comparative analysis of government-wide information is presented in the following tables.

Bracken County Net Assets

	<u>Governmental Activities</u>	
	2004	2005
Assets		
Current and other assets	\$ 1,246,416	\$ 1,377,214
Capital assets	<u>2,674,372</u>	<u>2,625,279</u>
Total Assets	3,920,788	4,002,493
Liabilities		
Current liabilities	39,342	38,000
Long-term liabilities	<u>590,000</u>	<u>552,000</u>
Total Liabilities	629,342	590,000
Net Assets		
Invested in capital assets, net of related debt	2,045,030	2,035,279
Unrestricted	<u>1,246,416</u>	<u>1,377,214</u>
Total Net Assets	<u><u>\$ 3,291,446</u></u>	<u><u>\$ 3,412,493</u></u>

Bracken County
 Managements' Discussion and Analysis
 June 30, 2005
 (Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Bracken County Statement of Activities

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2005</u>
Program Revenues:		
Charges ofr Services	\$ 59,446	\$ 48,786
Operating Grants and Contributions	891,448	1,118,394
Capital Grants and Contributions	0	110,500
Total Program Revenues	950,894	1,277,680
General Revenues		
Taxes	916,509	989,397
Excess Fees	20,033	4,615
Unrestricted Investment Earnings	9,729	12,120
Miscellaneous Revenues	73,804	75,279
Total General Revenues	1,020,075	1,081,411
Total Revenues	1,970,969	2,359,091
Program Expenses:		
General Government	742,159	827,655
Protection to Persons and Property	329,217	279,303
General Health and Sanitation	67,265	91,169
Social Services	1,761	77,205
Recreation and Culture	16,631	21,130
Roads	227,736	834,228
Airports	11,981	17,110
Debt Service	6,668	5,432
Capital Projects	3,987	84,812
Total Expenses	1,407,405	2,238,044
Change in Net Assets	563,564	121,047
Net Assets-Beginning	<u>2,727,882</u>	<u>3,291,446</u>
Net Assets-Ending	<u>\$ 3,291,446</u>	<u>\$ 3,412,493</u>

GOVERNMENTAL ACTIVITIES

For the year ended June 30, 2005, the County's governmental activities were funded as follows:

SOURCES OF FUNDS FOR GOVERNMENTAL ACTIVITIES

Revenues for the County's governmental activities for the year ended June 30, 2005 were \$2,359,086. Specifically, intergovernmental revenue is the greatest component of revenues (excluding surplus and transfers).

REVENUES BY SOURCE

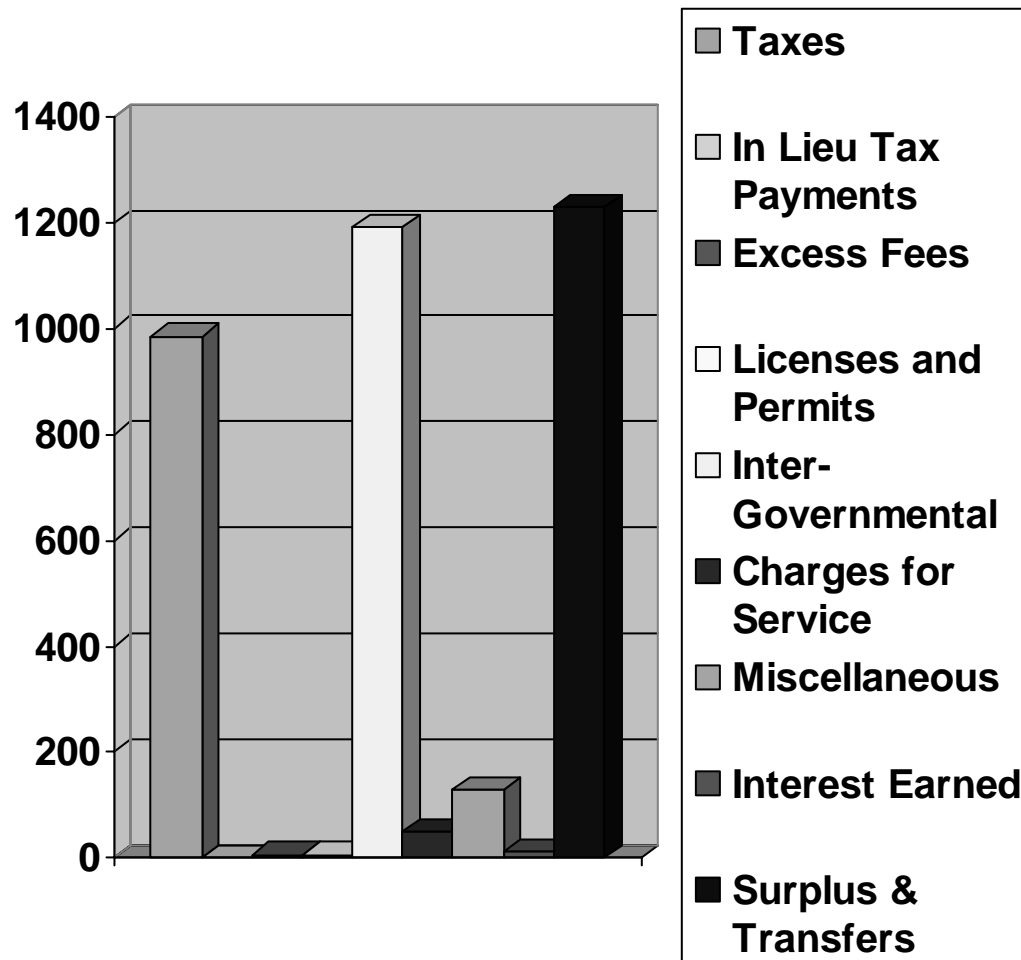


Table 1 - (in thousands)

For the year ended June 30, 2005, total expenses for governmental activities amounted to \$2,228,293.

USES OF FUNDS IN GOVERNMENT ACTIVITIES

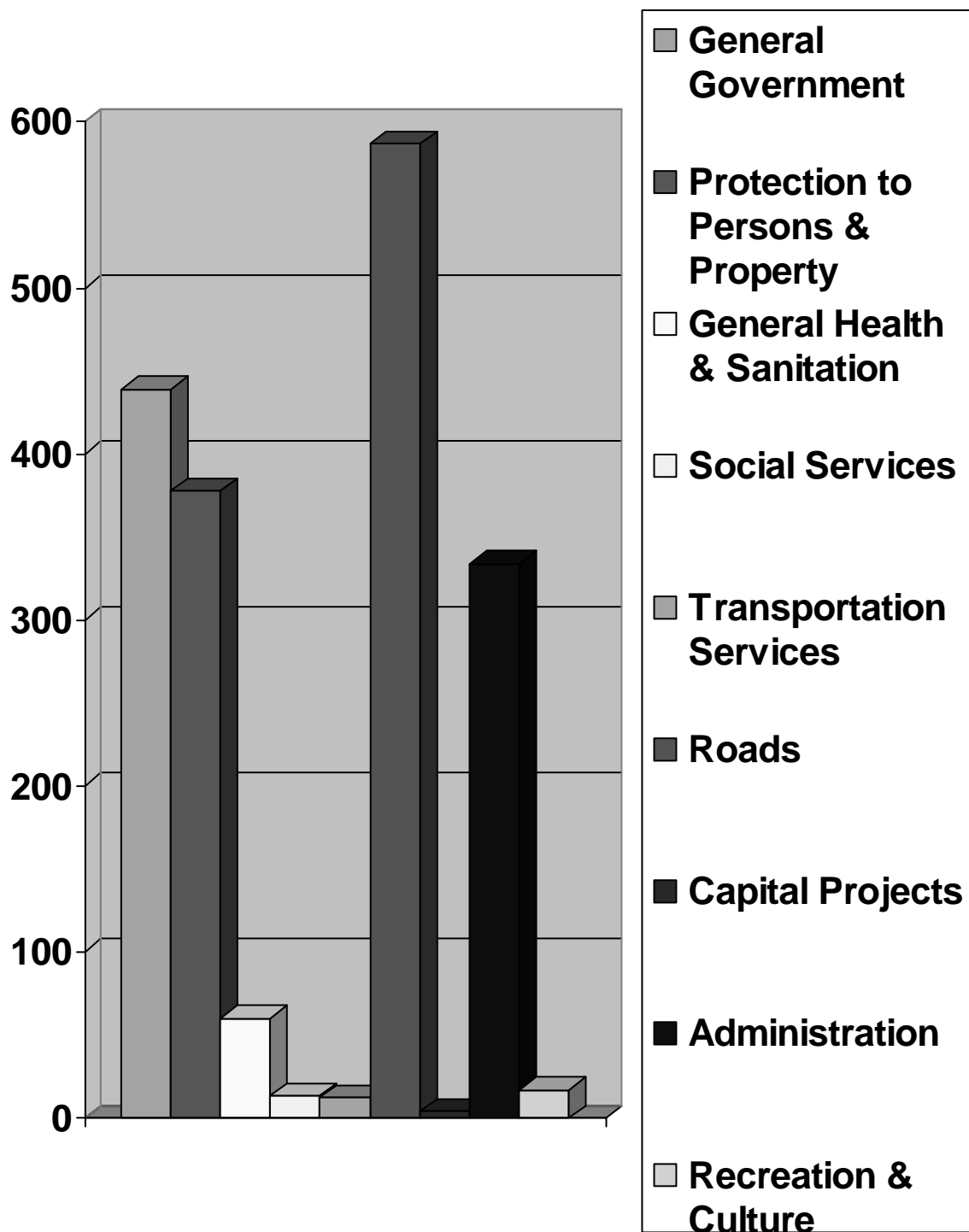


Table 2 - (in thousands)

A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

During the year, the Court revised the budget several times as new information indicated a need. Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- The General Fund reported revenues of \$1,214,446 (excluding prior year surplus) expenditures of \$1,051,724 and net transfers of \$98,000, resulting in an increase in fund balance of \$64,722.
- The Road Fund reported revenues of \$926,194 (excluding prior year surplus) and expenditures of \$893,484, resulting in an increase in fund balance of \$32,710.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of June 30, 2005, the County had \$2,625,279 invested in capital assets, net of depreciation.

Bracken County's Capital Assets, Net of Accumulated Depreciation

	<u>Governmental Activities</u>	
	2004	2005
Land and Land Improvements	\$ 124,117	\$ 124,117
Buildings	1,496,374	1,475,836
Vehicles	179,145	171,209
Equipment	421,283	433,480
Infrastructure	453,453	420,637
	<u>\$ 2,674,372</u>	<u>\$ 2,625,279</u>

This year's most significant capital asset addition included E911 computer upgrades.

Infrastructure represents only roads repaved in the 2003-2004 and the 2004-2005 fiscal years. This asset will increase, as additional roads will be added in following years.

Additional information on Capital Assets can be found in Note 4.

Bracken County
Managements' Discussion and Analysis
June 30, 2005
(Continued)

LONG-TERM DEBT

At the end of the year, the County had \$590,000 (principal) in long-term debt. This represents a 6.25% decrease. The County's long-term debt is comprised of one note with KACO with a fifteen-year maturity (08/20/2017). The debt service for this note is paid partially by AOC with remaining funds from the general fund (courthouse addition) and the Road Fund (loader).

Additional information on long-term debt can be found in Note 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the year ending June 30, 2006, all funds have been budgeted consistently with this year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Judge's office at 116 West Miami Street, P.O. Box 264, Brooksville, KY 41004, or telephone 606-735-2300.

Leslie Newman
County Judge/Executive

BRACKEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

JUNE 30, 2005

BRACKEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,377,214
Total Current Assets	<u>1,377,214</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	124,117
Buildings	1,475,836
Other Equipment	433,480
Vehicles and Equipment	171,209
Infrastructure Assets - Net of Depreciation	<u>420,637</u>
Total Noncurrent Assets	<u>2,625,279</u>
Total Assets	<u>4,002,493</u>
LIABILITIES	
Current Liabilities:	
Financing Obligations	38,000
Noncurrent Liabilities:	
Financing Obligations	<u>552,000</u>
Total Liabilities	<u>590,000</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 2,035,279
Unrestricted	<u>1,377,214</u>
Total Net Assets	<u>\$ 3,412,493</u>

The accompanying notes are an integral part of the financial statements.

BRACKEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 827,655	\$ 25,183	\$ 127,194	\$
Protection to Persons and Property	279,303	23,603	79,988	
General Health and Sanitation	91,169			
Social Services	77,205			
Recreation and Culture	21,130			
Roads	834,228		894,918	
Airports	17,110			
Interest on Long-Term Debt	5,432			
Capital Projects	84,812		16,294	110,500
Total Governmental Activities	2,238,044	48,786	1,118,394	110,500
Total Primary Government	\$ 2,238,044	\$ 48,786	\$ 1,118,394	\$ 110,500

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Miscellaneous Revenues

Unrestricted Investment Earnings

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BRACKEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets	
Primary Government	
Governmental Activities	Totals
\$ (675,278)	\$ (675,278)
(175,712)	(175,712)
(91,169)	(91,169)
(77,205)	(77,205)
(21,130)	(21,130)
60,690	60,690
(17,110)	(17,110)
(5,432)	(5,432)
41,982	41,982
(960,364)	(960,364)
(960,364)	(960,364)
537,258	537,258
30,995	30,995
72,221	72,221
348,923	348,923
4,615	4,615
75,279	75,279
12,120	12,120
1,081,411	1,081,411
121,047	121,047
3,291,446	3,291,446
\$ 3,412,493	\$ 3,412,493

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

BRACKEN COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 3005

	General Fund	Road Fund	Non- Major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 564,466	\$ 689,219	\$ 123,529	\$ 1,377,214
Total Assets	<u>\$ 564,466</u>	<u>\$ 689,219</u>	<u>\$ 123,529</u>	<u>\$ 1,377,214</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 1,224	\$	\$	\$ 1,224
Unreserved:				
General Fund	563,242			563,242
Special Revenue Funds		689,219	123,529	812,748
Total Fund Balances	<u>\$ 564,466</u>	<u>\$ 689,219</u>	<u>\$ 123,529</u>	<u>\$ 1,377,214</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	1,377,214
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	3,559,714
Accumulated Depreciation	(934,435)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(590,000)</u>
Net Assets Of Governmental Activities	<u>\$ 3,412,493</u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BRACKEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 984,653	\$	\$	\$ 984,653
In Lieu Tax Payments	134			134
Excess Fees	4,615			4,615
Licenses and Permits	4,605			4,605
Intergovernmental	174,912	863,557	190,425	1,228,894
Charges for Services	25,183		23,603	48,786
Miscellaneous	15,268	56,177	3,834	75,279
Interest	5,076	6,460	584	12,120
Total Revenues	<u>1,214,446</u>	<u>926,194</u>	<u>218,446</u>	<u>2,359,086</u>
EXPENDITURES				
General Government	410,636		27,021	437,657
Protection to Persons and Property	179,364		149,922	329,286
General Health and Sanitation	51,183	24,190		75,373
Social Services	4,136		71,808	75,944
Recreation and Culture	16,984		800	17,784
Roads		742,869	28,819	771,688
Airports	17,110			17,110
Debt Service	32,497	9,315		41,812
Capital Projects	79,517	5,295		84,812
Administration	260,297	111,815	4,715	376,827
Total Expenditures	<u>1,051,724</u>	<u>893,484</u>	<u>283,085</u>	<u>2,228,293</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>162,722</u>	<u>32,710</u>	<u>(64,639)</u>	<u>130,793</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	500		98,500	99,000
Transfers To Other Funds	(98,500)		(500)	(99,000)
Total Other Financing Sources (Uses)	<u>(98,000)</u>		<u>98,000</u>	
Net Change in Fund Balances	64,722	32,710	33,361	130,793
Fund Balances - Beginning	499,744	656,509	90,168	1,246,421
Fund Balances - Ending	<u>\$ 564,466</u>	<u>\$ 689,219</u>	<u>\$ 123,529</u>	<u>\$ 1,377,214</u>

The accompanying notes are an integral part of the financial statements.

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BRACKEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BRACKEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	130,793
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	84,812
Depreciation Expense	(133,905)

Financing Obligation payments are expensed in the Governmental Funds as a use of current financial resources. However, at the government-wide level, these transactions have no impact on net assets.

Financing Obligations	39,342
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Change in Net Assets of Governmental Activities	<u>\$ 121,042</u>
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TO THE FINANCIAL STATEMENTS**

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BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Bracken County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14 and GASB 39 there are no component units which merit consideration as part of the reporting entity.

C. Bracken County Elected Officials Not Part Of Bracken County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Bracken County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bracken County, Kentucky.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Bracken County Elected Officials Not Part Of Bracken County, Kentucky (Continued)

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, State Grant Fund, C.D.B.G. Fund, Senior Citizens Fund, and Special Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grant Fund, C.D.B.G. Fund, Senior Citizen Fund, and Special Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	
Machinery and Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50
Intangibles		2-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, there are no related organizations of Bracken County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, there are no joint ventures of the Bracken County Fiscal Court:

Note 2. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 2. Deposits

Custodial Credit Risk – Deposits:

Custodial credit risk is the risk that, in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Operating Leases

The fiscal court entered into a lease agreement with Modern Office Methods for a copier. The total expense related to these leases was \$2,652 for the fiscal year ended June 30, 2005. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2006	\$ 2,652
2007	2,652
2008	2,652
2009	<u>1,326</u>
Total Minimum Lease Payments	<u>\$ 9,282</u>

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 124,117		\$	\$ 124,117
Total Capital Assets Not Being Depreciated	124,117			124,117
Capital Assets, Being Depreciated:				
Buildings	1,579,120			1,579,120
Other Equipment	900,067	74,312		974,379
Vehicles and Equipment	379,331	10,500		389,831
Infrastructure	492,267			492,267
Total Capital Assets Being Depreciated	3,350,785	84,812		3,435,597
Less Accumulated Depreciation For:				
Buildings	(82,746)	(20,538)		(103,284)
Other Equipment	(478,784)	(62,115)		(540,899)
Vehicles and Equipment	(200,186)	(18,436)		(218,622)
Infrastructure	(38,814)	(32,816)		(71,630)
Total Accumulated Depreciation	(800,530)	(133,905)		(934,435)
Total Capital Assets, Being Depreciated, Net	2,550,255	(49,093)		2,501,162
Governmental Activities Capital Assets, Net	\$ 2,674,372	\$ (49,093)	\$ 0	\$ 2,625,279

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 16,133
Protection to Persons and Property	34,829
General Health and Sanitation	15,796
Social Services	1,261
Recreation and Culture	3,346
Roads, Including Depreciation of General Infrastructure Assets	<u>62,540</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 133,905</u>

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Short-term Debt

In July 2004, the Bracken County Fiscal Court participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$419,000 with principal being due in January 2005. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Advance Revenue Program of \$1,288.

Note 6. Long-term Debt

A. Capital Lease-Courthouse Addition and Wheel Loader

Bracken County entered into a fifteen-year lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to build an addition onto the courthouse and to purchase a wheel loader. The lease agreement calls for an annual principal payment due each January 20. Interest payments are to be made monthly. The remaining principal balance of this lease as of June 30, 2005 was \$590,000. Liabilities of the General and Road fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2006	\$ 38,000	\$ 26,439
2007	40,000	24,651
2008	42,000	22,771
2009	44,000	20,798
2010	46,000	18,734
2011-2015	260,000	59,479
2016-2017	120,000	6,033
Totals	<u>\$ 590,000</u>	<u>\$ 178,905</u>

B. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 629,342	\$	\$ 39,342	\$ 590,000	\$ 38,000
Governmental Activities					
Long-term Liabilities	<u>\$ 629,342</u>	<u>\$ 0</u>	<u>\$ 39,342</u>	<u>\$ 590,000</u>	<u>\$ 38,000</u>

BRACKEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 7. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$5,432 in interest on financing obligations. \$22,751 of interest on the courthouse addition was paid directly by the state to the Kentucky Association of Counties Leasing Trust on behalf of the County.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Insurance

For the fiscal year ended June 30, 2005, Bracken County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Prior Period Adjustment

Beginning net assets has been restated by \$531,020 due to capital assets previously omitted.

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BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 821,000	\$ 821,000	\$ 984,653	\$ 163,653
In Lieu Tax Payments			134	134
Excess Fees	4,792	4,792	4,615	(177)
Licenses and Permits	2,000	2,000	4,605	2,605
Intergovernmental Revenue	146,522	146,522	174,912	28,390
Charges for Services	14,000	14,000	25,183	11,183
Miscellaneous	10,000	10,000	15,268	5,268
Interest	4,400	4,400	5,076	676
Total Revenues	<u>\$ 1,002,714</u>	<u>\$ 1,002,714</u>	<u>\$ 1,214,446</u>	<u>\$ 211,732</u>
EXPENDITURES				
General Government	468,946	519,835	410,636	109,199
Protection to Persons and Property	247,720	291,326	179,364	111,962
General Health and Sanitation	50,587	57,754	51,183	6,571
Social Services	1,000	6,004	4,136	1,868
Recreation and Culture	16,400	16,985	16,984	1
Bus Service	18,000	18,000	17,110	890
Debt Service			32,497	(32,497)
Capital Projects			79,517	(79,517)
Administration	560,935	453,684	260,297	193,387
Total Expenditures	<u>\$ 1,363,588</u>	<u>\$ 1,363,588</u>	<u>\$ 1,051,724</u>	<u>\$ 311,864</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(360,874)</u>	<u>(360,874)</u>	<u>162,722</u>	<u>523,596</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	500	500	500	
Transfers To Other Funds	(122,688)	(122,688)	(98,500)	24,188
Total Other Financing Sources (Uses)	<u>\$ (122,188)</u>	<u>\$ (122,188)</u>	<u>\$ (98,000)</u>	<u>\$ 24,188</u>
Net Changes in Fund Balance	(483,062)	(483,062)	64,722	547,784
Fund Balance - Beginning	483,062	483,062	499,744	16,682
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 564,466</u>	<u>\$ 564,466</u>

BRACKEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 831,189	\$ 831,189	\$ 863,557	\$ 32,368
Miscellaneous	2,000	2,000	56,177	54,177
Interest	4,800	4,800	6,460	1,660
Total Revenues	<u>\$ 837,989</u>	<u>\$ 837,989</u>	<u>\$ 926,194</u>	<u>\$ 88,205</u>
EXPENDITURES				
General Health and Sanitation	\$ 20,500	\$ 44,540	\$ 24,190	\$ 20,350
Roads	980,673	1,007,353	742,869	264,484
Debt Service			9,315	(9,315)
Capital Projects	6,000	6,000	5,295	705
Administration	446,535	395,815	111,815	284,000
Total Expenditures	<u>\$ 1,453,708</u>	<u>\$ 1,453,708</u>	<u>\$ 893,484</u>	<u>\$ 560,224</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(615,719)</u>	<u>(615,719)</u>	<u>32,710</u>	<u>648,429</u>
Net Changes in Fund Balance	(615,719)	(615,719)	32,710	648,429
Fund Balance - Beginning	<u>615,719</u>	<u>615,719</u>	<u>656,509</u>	<u>40,790</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 689,219</u>	<u>\$ 689,219</u>

BRACKEN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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BRACKEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

BRACKEN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	Jail Fund	LGEA Fund	State Grants Fund	Senior Citizen Fund	Special Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 2,686	\$ 15,189	\$ 38,692	\$ 9,872	\$ 57,090	\$ 123,529
Total Assets	<u>\$ 2,686</u>	<u>\$ 15,189</u>	<u>\$ 38,692</u>	<u>\$ 9,872</u>	<u>\$ 57,090</u>	<u>\$ 123,529</u>
FUND BALANCES						
Unreserved:						
Special Revenue Funds	\$ 2,686	\$ 15,189	\$ 38,692	\$ 9,872	\$ 57,090	\$ 123,529
Total Fund Balances	<u>\$ 2,686</u>	<u>\$ 15,189</u>	<u>\$ 38,692</u>	<u>\$ 9,872</u>	<u>\$ 57,090</u>	<u>\$ 123,529</u>

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BRACKEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

BRACKEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Jail Fund	LGEA Fund	State Grants Fund	C.D.B.G Fund
REVENUES				
Intergovernmental	\$ 29,150	\$ 31,361	\$ 110,500	\$ 16,294
Charges for Services	23,603			
Miscellaneous	84			
Interest	14	20		
Total Revenues	<u>\$ 52,851</u>	<u>\$ 31,381</u>	<u>\$ 110,500</u>	<u>\$ 16,294</u>
EXPENDITURES				
General Government	\$	\$	\$	\$ 16,294
Protection to Persons and Property	149,922			
General Health and Sanitation			71,808	
Social Services				
Roads		28,819		
Administration	4,715			
Total Expenditures	<u>\$ 154,637</u>	<u>\$ 28,819</u>	<u>\$ 71,808</u>	<u>\$ 16,294</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(101,786)</u>	<u>2,562</u>	<u>38,692</u>	
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	98,500			
Transfers To Other Funds				
Total Other Financing Sources (Uses)	<u>98,500</u>			
Net Change in Fund Balances	(3,286)	2,562	38,692	
Fund Balances - Beginning	5,972	12,627		
Fund Balances - Ending	<u><u>\$ 2,686</u></u>	<u><u>\$ 15,189</u></u>	<u><u>\$ 38,692</u></u>	<u><u>\$ 0</u></u>

BRACKEN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005
(Continued)

Senior Citizens Fund	Special Fund	Total Non-Major Governmental Funds
\$	\$ 3,120	\$ 190,425
		23,603
3,750		3,834
27	523	584
<u>\$ 3,777</u>	<u>\$ 3,643</u>	<u>\$ 218,446</u>
\$ 10,727	\$	\$ 27,021
		149,922
		71,808
	800	800
		28,819
		4,715
<u>\$ 10,727</u>	<u>\$ 800</u>	<u>\$ 283,085</u>
<u>(6,950)</u>	<u>2,843</u>	<u>(64,639)</u>
		98,500
	(500)	(500)
	<u>(500)</u>	<u>98,000</u>
(6,950)	2,343	33,361
16,822	54,747	90,168
<u>\$ 9,872</u>	<u>\$ 57,090</u>	<u>\$ 123,529</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Leslie Newman, Bracken County Judge/Executive
Members of the Bracken County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bracken County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 16, 2005. Bracken County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bracken County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bracken County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed no instance of material noncompliance or other matter that is required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The script is cursive and fluid, with the letters "P", "G", and "P" being notably large and stylized.

Percy and Gray, PSC
Certified Public Accountants

Audit fieldwork completed -
December 16, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BRACKEN COUNTY FISCAL COURT

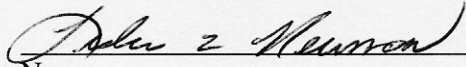
**For The Fiscal Year Ended
June 30, 2005**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

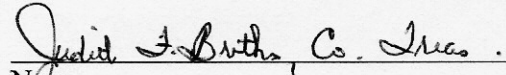
BRACKEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Bracken County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

